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ABSTRACT

This booklet is a simple, practical guide for managing money. It provides advice to help the reader balance expenses with income and get personal finances in order. The booklet takes the reader step by step through the processes involved in setting up a basic financial plan and shows him/her how to tailor it to fit personal needs. It explains how to keep track of spending, live within one's means, and reach financial goals. In addition, the guide shows how to manage credit, pay bills, organize financial records, and deal with economic change. Several charts are provided to help the reader set goals, total net worth, and identify fixed, flexible, and periodic expenses. For those seeking more information, a special resource section also is included. (KC)

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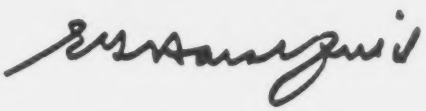

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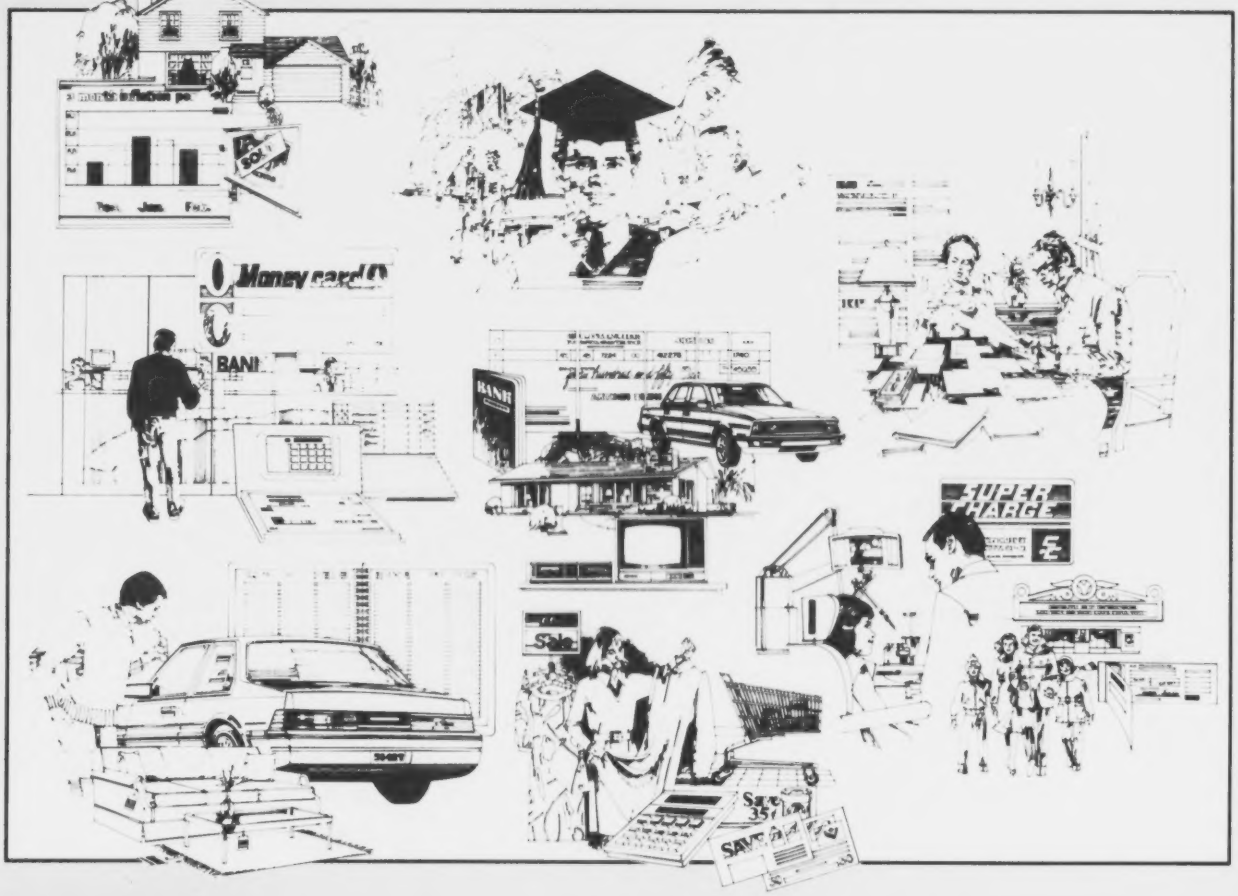

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Introduction

In the pages that follow, you will find a simple and practical guide for managing your money. It is the outgrowth of our years of experience in helping individuals and families solve their financial problems.

It will take you step by step through the processes involved in setting up and effectively managing a basic financial plan. If you apply this guide to your individual situation, it can help you meet your daily expenses, reach your financial goals, and achieve the economic competence and security that contribute to better living.

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Planning Is Important

Money does more for us than buy the goods and services we need and want. It influences how we feel about ourselves and other people. It has a great deal to do with our level of living and our ambitions for the future. Money management abilities, therefore, have a great bearing on the degree of satisfaction we gain from life.

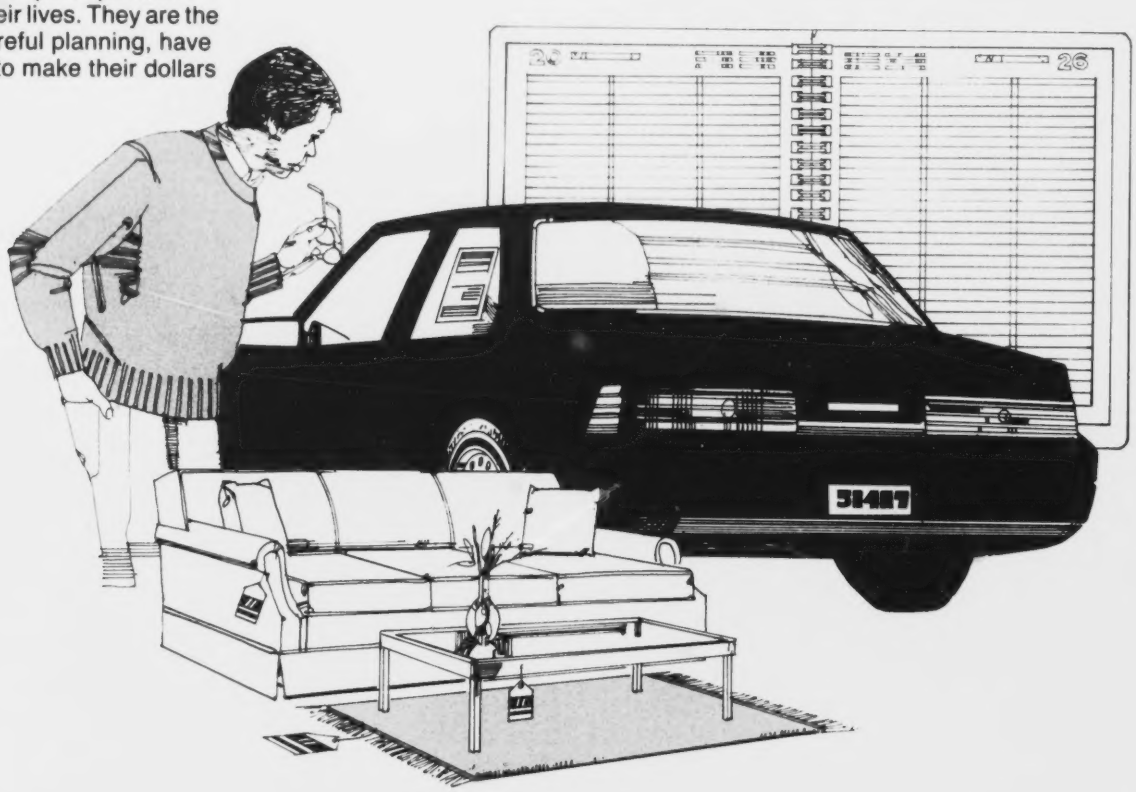
No one is born with the ability to manage money effectively. It has to be learned and developed with practice, just like any other skill. Most people would like to have more money. Some of them have great difficulty getting along on what they have, although they may earn enough to provide a good living. These individuals have never stopped to consider what they most want in life and how best to achieve it, so they're inclined to spend on impulse and haphazardly. No wonder they run short and often find themselves in financial difficulties! Others, with the very same income or perhaps even less, live well all their lives. They are the ones who, with careful planning, have learned how best to make their dollars work for them.

How Can Planning Help?

The fundamental value of money management, the underlying reason for its effectiveness, is that the planner is required to think things through *before* spending. With hasty, on-the-spot purchases reduced to a minimum, the more vital things are not as likely to lose out to the less important. A financial plan can help you:

- live within your income
- realize personal goals
- maintain a good credit history
- spend more effectively
- develop economic competence and confidence

A good plan is a *guide*—not a detailed accounting of every penny spent. In fact, the simplest one that adequately serves the individual or family will usually be the most successful, because it is easily understood and requires a minimum of time and effort. A good plan is a *servant,* not a master. It is wholly *personal and unique,* being tailored to the planner's own set of values, goals and resources. It is *practical,* being based on current income and expenses. It is *realistic,* allowing for future possibilities and probabilities. It is *flexible,* facilitating the adjustment of outgo to income, when needed. And... *it can provide for pleasures as well as necessities!*



A plan has no magical powers. It cannot make you rich or put any large amount of extra money in your hands. It cannot obtain for you all the things you'd like to have. It may help you obtain those that will mean most to you, however—and perhaps more of them than you'd get with no plan at all. It will promote good spending and saving habits and, in turn, good financial health. It could be said to be an extra financial resource!

Living in Today's Economy

Without the control over spending that a financial plan provides, money is often frittered away. Today this is more true than ever, as a result of the following social and economic changes:

- **Inflation.** By increasing the cost of food, energy, transportation and other goods and services, as well as taxes, inflation reduces your real purchasing power. If your income does not keep pace with rising costs, normal spending will mean overspending. Sound money management is the best single weapon you have against these economic facts of life; it can help you gain the maximum value from your shrinking dollars. While we as individuals have little control over the economy, we *can* manage our personal economic systems effectively.
- **Increased incomes.** The actual dollar amount of income that some individuals and families have to spend has been increasing, largely as a result of the growing number of two-income families. The typical dual-income couple starting a household today, for example, will probably earn over three quarters of a million dollars ($750,000!) in their lifetime. Such huge amounts of money demand systematic, orderly management.
- **The availability of credit.** Credit is a highly useful resource, and the privilege of using goods and services while paying for them at an additional cost has been a boon to both individuals and the economy. Overspending is easier with credit though, because there are no built-in controls. (With cash purchases, the money runs out!) A financial plan, because it requires forethought, self-discipline and some management skills, helps people keep credit purchases in line and avoid overcommitment.
- **The climate of rising expectations and increasing social pressures to buy.** Incomes can't possibly keep pace with the abundance of tempting things to buy, places to go and things to do. We want "the good things of life" right now! By encouraging us to establish priorities—decide what we most need and want and then set goals—a money management plan can serve as an effective restraint on spending.
- **Our more complicated personal finances.** Money at your disposal may now include *savings*—past income that has been put aside—*credit*—income committed for the future, as well as *cash on hand.* No wonder it's hard to keep track of! It's no longer a matter of asking, "Do I have the cash?" but rather, "Will I have the cash when the bill comes due?" Deciding how much of your money can be diverted to each of many goals is difficult.

A plan enables you to review income and expenses as a whole, see exactly where the money is going and make sound spending decisions on a factual basis. It will help you determine in advance where adjustments, if needed, should be made, and provide assistance as you plan for the future.

What Is Most Important to You?

A money management plan is built upon choices, which in turn are based upon your ideals and principles, the way you want to live, the things you want to do and have. Each of us considers some things more desirable, more important than others. These are our *values*. Personal *goals*—the targets toward which we direct our lives—grow out of values and dictate our financial goals. Ideally speaking, that is!

Values

No two people spend their money in exactly the same way, as personal values influence each individual's purchasing decisions. For instance, one person may have the ability and desire to sew and cut down on clothing costs in order to have more for a family vacation. Another may prefer to live in modest circumstances in order to pay for further education. A working wife/mother may consider the savings in time and energy well worth the extra cost of dining out occasionally. One person's extravagance, in other words, may be another's necessity!

Consider the qualities which make you or your family different from any other person or family. *Your* income, *your* assets and debts, *your* health, *your* ambitions, *your* attitudes, *your* talents and personality, the type of work *you* do, the number, age and sex of the members in *your* family, *your* tastes, what is important to *you*, and the part of the country in which *you* live are only a few of the things that influence *your* lifestyle.

A guide for spending and saving is a personal matter. There should be no feelings of guilt or frustration if personal or family spending differs from those of other families or from "average" budget tables. *Your plan should serve you!*

Let Goals Guide You

Personal and family goals will reflect the values that you hold. What kinds of *financial goals* must you set in order to satisfy them... now... next year... ten or twenty years... when you retire? Short-, intermediate- and long-term goals are often pursued concurrently.

You and Your Life Cycle

Of course your goals will change, because values, needs, wants and resources change throughout the life cycle of the individual or family. A young couple, for instance, may be trying to decide between buying a house or condominium or starting a family. A middle-aged couple and their teenagers are weighing the purchase of a second car, a vacation or financing the children's education.

Goals also can vary considerably from one kind of household to the next because of the particular financial demands and constraints of each. The so-called traditional family—parents and children—is now almost outnumbered by other kinds: one-parent, second-marriage and extended families; to say nothing of childless couples and singles living alone or with roommates. The various financial demands and limitations at different stages of the life cycle are briefly discussed.

Early years. Incomes probably are at their lowest point, but rising steadily. While food, clothing and housing are necessities for everyone, household furnishings and possibly a car are often needed by newly independent adults. Singles who live alone must pay a proportionately higher share of income for these necessities, simply because they alone bear the costs. Whether living by oneself or with another person, life insurance is usually of lesser importance to single adults; health insurance and emergency cash reserves are much more important. Generally medical expenses are low, recreational and entertainment costs often moderately high for young adults.

The early years are the time of life when security-minded young couples with children may desire to increase their health and life insurance. Savings may be more difficult to put aside because of increased expenditures for food, clothing, housing and medical care. Savings at this point are often earmarked for a down payment on a house. The couple without children may be better able to save and invest during these early years, as demands on their income are lighter.

Middle years. By this time there may have been some accumulation of assets. Incomes continue to rise, often peaking during these years. Couples with children are far more likely to incur sharply increased expenditures than are singles and childless couples, particularly if the children pursue vocational training or a college education. Many families in this situation find saving extremely difficult and may go further into debt. Once the children are on their own, however, they can begin serious planning for retirement.

Retirement years. Medical costs are often high by this time; food, clothing and recreational expenditures are generally low. Since income in this period is usually only half that of the peak earning years, most individuals must call on savings and investments to maintain their previous standard of living. Other housing arrangements may be needed if health falters or income is insufficient. Household and/or nursing care is frequently required in the later years, and some senior citizens have funds set aside for funeral expenses.

Advantages to Family Goal Setting

A financial plan for a household that has two or more persons will be most effective if everyone has a part in establishing and achieving goals. Decide together what is most important to you as a unit and to each member. In what direction do you wish to move? Think and talk about your present needs and wants, and your hopes and dreams for the future—both personal and mutual—until you can identify your most important goals. This may be done at frequent intervals, because of changes in members' values and goals, income and interests *during* a stage in the life cycle.

Family goal setting also involves the children. Parents initiate the planning process, but when the children reach the age of understanding, they can participate. This occurs earlier than you might expect, because children are interested in the subject of money and are soon able to make contributions of their own during the goal-setting sessions.

SETTING FINANCIAL GOALS				
	Estimated Cost	**Target Date**	**Current Savings**	**Amount To Be Saved Monthly**
Emergency Fund	$		$	$
Short-term Goals				
	$		$	$
Long-term Goals				
	$		$	$

Participation in the entire financial planning process is excellent training for them. In other words, permit your children to use money as age and circumstances permit, and occasionally encourage their presence at bill-paying time. These experiences will give them insight into money responsibilities, what it costs to live, and the need for making wise financial decisions.

Children should be taught, however, that family financial affairs are confidential. Whether they should be told the exact amount of family income is a decision best left to parents, but they can and should be told if income is irregular or a financial setback has occurred. They often suspect that something is wrong anyway, and to be so informed reduces their feelings of insecurity. If children understand some of the money problems a family faces, they may be more willing to cooperate with the family spending program—particularly if adjustments are needed in their own spending.

The primary advantages for setting goals as a family are these:

- Members learn to think and act in terms of priorities, goals and objectives.
- Each participant feels a sense of belonging and importance as a valued, contributing member.
- Each participant becomes more aware and accepting of the family's financial limitations.
- Members recognize the necessity for compromise.
- They learn to balance their own needs and wants against those of others.
- Those who fully participate will not be as inclined to subtly undermine the attainment of the financial goals.
- If financial reverses occur, members are more likely to be cooperative regarding required changes in lifestyle.
- Members are better prepared to set up their own plans in the future.

What Are Your Goals?

Once goals are identified, it's easier to plan spending and saving. Easier, but not necessarily easy! First, it makes sense *to put the most important ones first,* since all your goals will probably not be reachable at once. You will have to find a balance between the short-term and the long-term goals—i.e., provide for your future without giving up all the good things today.

Some goals are set for the near future. They are the things you want *soon*—in the next few weeks, months or year. A new coat, bike, repainted kitchen, living-room draperies, washer or dryer, color TV and next year's vacation are just a few examples of immediate or short-range goals. Perhaps getting out of debt or building up a reserve fund is your most important objective.

Other goals may require long-range planning and saving. These are the things that often are not realized for many years—home ownership, a college education, a once-in-a-lifetime trip, retirement income. Keep in mind that estimated costs for long-range goals will need to be revised from time to time as market conditions and prices change. If you plan ahead, however, your future needs and wants are not likely to be lost in day-to-day living demands. Long-range goals are seldom reached by short-range planning!

If you have a small income and/or large debts, you may be unable to do more than take care of immediate necessities. Since only the smallest savings, if any, are possible for the time being, you may find it unrealistic to even think of future goals. Until current difficulties are resolved, your major requirements will probably be rent or house payments, fuel, electricity, food expenses and past-due bills.

List those things you need and want most on the chart on page 7, in order of importance. Be as specific as possible. If you do not already have an emergency fund equal to 2-3 months' net income, this should be a top priority. Next, estimate the cost of each goal and the date it is targeted, as this will tell you how much to put aside each planning period and for how long.

Very few incomes are ever large enough to cover all of our wants, and usually the more money we have, the more we spend. But *the power of choice is present with incomes of all sizes.* Anyone who takes the time to identify his or her objectives for the present and future has made a fine start toward achieving them!

Your Present Financial Situation

After setting your goals, the next step in developing a financial plan is to determine where you currently stand. How much income do you have? Where is it coming from? How much money are you spending, and for what? When? It's also important to determine your net worth—i.e., the dollar difference between what you own (total accumulation of assets) and what you owe (both short-term and long-term debts). In other words, the amount of cash you'd have if you sold all your possessions and paid all debts. People with small incomes—even students—have a net worth: a typewriter, stereo and clothing all have resale value.

Why should you determine your income, expenses and net worth? Because it's difficult to plan the use of your money if you don't know exactly what you have to start with.

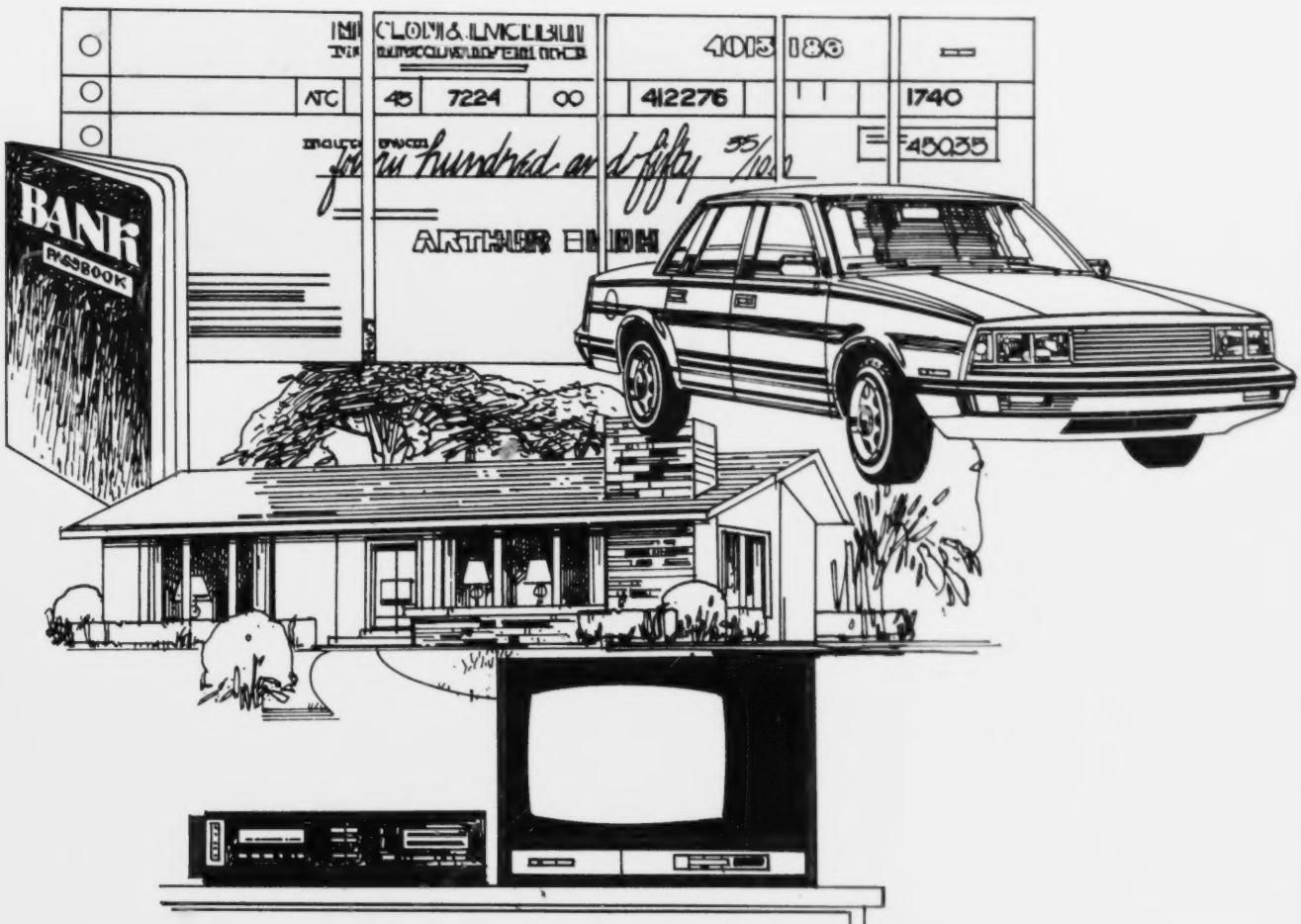
What Is Your Income and Where Is It Going?

Filling out the chart on page 10 will tell you a lot about the way you are handling your money now.

Your Current Income

Determining your income should not be difficult. Typically, the greatest part of it will be from wages or salaries, but other sources include:

- allowances, cash gifts, inheritances
- annuities
- child support, alimony
- farm income
- fees, commissions, tips, bonuses
- interest or dividends from savings, stocks, bonds, insurance, other securities and notes
- pensions, profit sharing
- profits from the sale of assets
- public assistance
- rents
- Social Security
- tax refunds, rebates



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List your sources of income and the amounts of each on the chart. Do not include any payroll deductions for taxes, insurance, Social Security, retirement or pension plans, etc. Although these are of vital importance, they are not yours to take home! Our taxes, for example, provide us with highways, hospitals, schools and colleges, libraries, recreation facilities, public health services, police and fire protection, national defense, and many other goods and services. Deductions for medical and life insurance, Social Security, retirement or pension plans provide protection, future income and savings for individuals and families and thereby help them attain long-range goals.

CURRENT INCOME AND EXPENSES			
Income	**Month 1**	**Month 2**	**Month 3**
Your take-home pay			
Spouse's take-home pay			
Allowances			
Child support, alimony			
Social Security or Canada Pension Plan			
Public assistance			
Pension, profit-sharing			
Other _____			
_____			
_____			
Total Income			
Expenses			
Savings			
Rent or mortgage			
Utilities			
Installment payments (includes credit card payments)			
Insurance			
Support payments			
Transportation			
Food			
Clothing			
Household supplies			
Medical and dental			
Recreation and entertainment			
Miscellaneous			
Total Expenses			
Total Income			
minus Total Expenses			
Balance			

Your Current Expenses

Being aware of recent spending can take some of the guesswork out of future financial planning. Review canceled checks, receipts, bank books, tax forms, bank card and department store charge statements, grocery tapes, and any other useful records of expenditures during the past three months, if possible, to help you reconstruct your spending pattern.

If you have recently become self-supporting, or are starting a household for the first time, there may be few records available. Your best bet in this case is to keep track of your expenditures for several weeks and then average them. This should give you a reasonable estimate of the amounts to allow for specific categories. Keep in mind that setting up housekeeping involves many one-time expenses. Although small when taken individually, they quickly add up to sizable amounts: kitchen and bath supplies, food staples, utensils and implements of various kinds.

Fill in your expenditures to the best of your ability. Remember that the more accurate and complete this chart, the easier and more effective your financial planning!

What Is the Bottom Line?

Subtract your total expenditures from your total income. What is the balance? If you came out even or ahead, and managed to put aside savings in the process, you've probably been conforming to a plan of sorts, if only in your head. But such a casual approach to spending is not likely to work well indefinitely. You will do much better in the long run by putting your plan on paper. This tends to anchor money that otherwise might float away. If you're operating at a deficit, on the other hand, you need one just to get back on solid financial ground.

Your Net Worth

You have taken the first step in setting up a money management plan, which is to get a handle on your income and current expenses. Now you need to determine where you stand overall, by figuring your net worth. This financial inventory reveals something that your income/expenses chart cannot—how your personal assets (what you own) and liabilities (what you owe) balance out at a specific point in time. If you determine your financial worth at the outset, you will have a basis for future comparison. Doing so on an annual basis will show you how much progress you're making toward the attainment of your financial goals and provide direction for future planning. You will also be able to tell if your net worth is increasing, decreasing, or remaining the same from one year to the next. If it is decreasing, you can then take steps to rectify matters and insure that your future security will not be impaired.

The chart on page 12 is designed primarily to serve adult singles and families, but teenagers would undoubtedly profit from the experience of determining their own net worth. They may be surprised to discover how many assets they have! Adapt this chart to your personal situation by adding or omitting items as needed to make it work for you.

Begin by calculating the amount of your *liquid assets*—those that can be readily converted to cash. They would of course include cash on hand as well as money in checking and savings accounts, savings bonds, government and corporate bonds and stocks. The market value of securities can vary daily: note their selling price on the day that you actually prepare your personal balance sheet. Check the financial pages of your newspaper or ask your broker for this information.

Assets less readily convertible into cash include the cash value of a profit-sharing plan, retirement or pension fund; this information can be obtained from your employer. You can determine the cash value of any permanent life insurance policies you may own by checking the explanatory table on your printed policy or by asking your agent. A realtor and banker should be able to provide the market value of your real estate and annuities; your car insurance agent, the current book value of your auto.

YOUR NET WORTH STATEMENT

What You Own	Date
Cash in checking accounts	$_____
Cash in savings accounts	_____
Money market funds	_____
Certificates of deposit	_____
Current value of government savings bonds	_____
Cash surrender value of insurance policies	_____
Equity in pensions	_____
Equity in profit-sharing plans	_____
Company-sponsored savings plans	_____
Current value of annuities	_____
Loans owed you	_____
Retirement funds	
Individual Retirement Account or Keogh Plan (U.S.)	_____
Registered Retirement Savings Plan (Canada)	_____
Tax refunds due	_____
Cash value of ownership in a business	_____
Market value of securities	
Bonds	_____
Stocks	_____
Mutual funds	_____
Investment trusts	_____
Cash value of personal properties	
Home and other real estate	_____
Car(s)	_____
Furniture	_____
Appliances	_____
Other (furs, jewelry, antiques, fine art, etc.)	_____
Other assets	
_____	_____
_____	_____
Total Assets	$_____

What You Owe	
Mortgage debts (home and other real estate)	$_____
Installment debts (balance due on car, furniture, appliances, etc.)	_____
Personal loans	_____
Current bills outstanding	_____
Taxes due	_____
Other liabilities	
_____	_____
_____	_____
Total Liabilities	$_____
Your Net Worth (assets minus liabilities)	$_____

Calculating the market value of some personal possessions, such as furniture and appliances, is more difficult. Realistically, this should be stated as the actual amount they would bring if you were forced to sell—generally a much lower figure than their original cost. Jewelry, antiques or fine art, on the other hand, will most likely increase in value. A professional appraisal will give you a reliable estimate of their market value, in addition to providing a basis for insurance claims in the event of loss by fire or theft.

Now list your liabilities. For most families, the biggest one would be their mortgage, but installment debts on a car, appliances, etc., can be substantial. You may also be surprised at the amounts due on charge accounts and miscellaneous debts! Total all these liabilities and subtract this figure from your total amount of assets to learn your net worth.

Be sure to date your net worth statement and put it in a permanent folder in a safe place. Six months or a year from now, when you make your next one, you can see how far you've come!

Setting Up Your Plan

By now you should know your income, present expenditures and net worth. Hopefully, you also have set some goals. You should now be ready to set up your plan. Several charts can be found on pages 18 to 21. Use them as a guide, along with the information on fixed, flexible and periodic expenses that immediately follows. Most plans are for one year, which allows you to anticipate and prepare for changes in your financial situation, put aside money for large expenses, and anticipate those that occur seasonally. This can be done for the calendar year, school year, tax year or any other convenient period of time. But no matter how you decide to set it up, the plan should be divided into planning periods.

If this is your first plan, forecast income and expenses for two or three periods at a time. After seeing how well your trial plan works, you can extend the next one to six months or longer. Begin by writing down the income you expect during the chosen period of time. You can probably simply copy the figures used when you reconstructed your current spending pattern. Although you may expect a raise, bonus or additional income soon, do not include this money until you actually receive it.

Make your job easier by keeping the math simple. Round off figures to the nearest dollar, rather than keeping track of exact dollars and cents. As you gain experience in managing money, you will learn to figure both income and expenses with greater ease.

Special Income Situations

Do you receive income on a regular schedule? Then it's usually easiest to match planning periods to pay periods. If you are paid weekly, twice a month or monthly, you may wish to use twelve periods, setting up the plan on a monthly basis. This is perhaps the most convenient method, since bills are usually rendered and paid on a monthly basis.

Do you have a fluctuating income? Are you a member of a two-paycheck family? The sections that follow deal with these special situations.

When Your Income Fluctuates

Planning your expenses ahead of time can be a real challenge if you are one of those people whose income rises and falls with the seasons or the economy, who freelance, have a summer job only, periodically work overtime or make a commission in addition to a base pay. You would be wise to base your plan upon regular income only, or upon the least amount of money you expect during the next year. Divide this yearly minimum by the number of planning periods you prefer. This will determine the average income per planning period. Try to keep your expenses within this figure, although if you have been living beyond your basic income up to now, it may be difficult at first. If and when the extra pay comes in, you can put it in a reserve fund for use when expenses exceed income, or to achieve special goals.

If your income fluctuates sharply, as it may for professional people like doctors and lawyers, for sales people who work strictly on commission, or for farmers, you may find it more workable to set up your plan for three or four months at a time. This could be especially desirable for self-employed or professional people who must pay taxes quarterly.

When There Are Two Incomes

Dual-income families frequently ask, "Should we count on both incomes for daily necessities?" There really is no hard and fast rule since every double-income situation is unique. Each individual and family involved must be realistic in terms of their particular circumstances.

Serious financial problems can occur, however, if a couple becomes accustomed to living on two incomes and one stops for any reason. It simply makes good sense to decide well ahead of time to reduce expenditures to match the income that will continue. If the reason is the arrival of a child, and both parents continue to work, on the other hand, expenditures—especially those involved with child care—are likely to increase appreciably.

Perhaps the situation is reversed—i.e., you are considering returning to the labor force. If you are working primarily for personal fulfillment, the net financial gain may not be your highest priority. If you are working for economic reasons, however—there are several factors to consider:

- What additional expenditures will you incur—for child care, transportation, additional taxes, appropriate clothing, union dues, lunches, convenience foods, frequent dining out, etc.?
- After deducting the above from your pay, what will be the net financial gain?

By estimating expenses ahead of time, you can more accurately judge the impact an additional income will have on your total spending plan.

Estimating Your Expenses

Expenses fall into three basic categories—fixed, flexible and periodic.

What Are Your Fixed Expenses?

Fixed expenses are those you have promised to pay on specific dates and in specific amounts. Some of these—rent or mortgage payments, installment debts—must be paid each month. Others are paid only once, twice or seasonally during the year—insurance premiums, taxes, school tuition and auto license plates, for example. (For some people, utilities are a fixed expense, while for others they differ considerably from one month to the next. List your own utility payments where they properly belong, even though this may mean listing some under flexible expenses, others under fixed.)

The chart on page 15 lists the most common kinds of fixed expenses, both regular and periodic. First, list all your *regular* fixed expenses on the chart on page 18, adding any you might have that do not appear on the list. Since most of these must be paid monthly, just put down the required payment opposite each regular fixed expense listed.

You may notice that savings and personal allowances are fixed expenses. *Saving* is setting aside money from your present income for use sometime in the future. The greatest incentives to save come from special goals: a college education, car, stereo, vacation, VCR, down payment on a home. Of even greater importance, however, is an emergency fund. People who ordinarily are very prudent often fail to put money aside for unexpected expenses. Then when they occur—a major appliance breaks down, the car needs repairs, there is a serious illness or job layoff—personal finances are disrupted for months.

FIXED EXPENSES

Housing
- Rent
- Mortgage payments
- Maintenance fee

Taxes
- Federal income tax*
- State income tax*
- Local taxes
- Property taxes

Utilities and Home Services
- Telephone
- Gas
- Water
- Fuel
- Sewage
- Garbage pickup
- Cable TV

Installment Payments
- Automobile
- Furniture or appliances
- Personal loans

Insurance
- Life
- Automobile
- Health and accident
- Hospitalization
- Fire and theft
- Personal property
- Social Security
- Other

Fees for Education
- Tuition
- Room and board
- Books
- Other

Transportation
- Automobile license plates
- Vehicle sticker
- Commuting fare
- Parking
- Garage rental

Personal Allowances
- Husband
- Wife
- Children

Personal Improvement
- Music lessons
- Dancing lessons
- Books
- Other

Membership Dues
- Union
- Professional associations
- Clubs

Contributions
- Religious
- Charity

Savings
- Emergency fund
- For goals

Subscriptions
- Newspapers
- Magazines

Others
- _____
- _____
- _____
- _____
- _____

*Estimate any additional payment beyond amount withheld from wages.

Many financial counselors recommend an emergency fund or ready cash savings of two to three months' earnings or even more. Of course, this may not be practical or even possible for you. The amount you need in case of an emergency will depend on several factors—your job security, income, the kind and amount of insurance you carry, your borrowing power, assets and debts, and the condition of your car and major appliances.

In any event, it is wise to be prepared. Determine how much you need in your emergency fund. Keep this money separate from your checking account in a form of savings that will earn interest but can be converted to cash without delay. When you have reached your goal, use the money you ordinarily would set aside each planning period to increase other savings and investments or to achieve special goals.

A personal allowance for every family member (and yourself!) should be included in your spending and saving plan. An allowance provides a feeling of independence, promotes a sense of personal pride and encourages interest and cooperation in the management of the family income.

Have each family member carefully estimate the amount of money needed for personal expenses—transportation or commuting costs, lunches, contributions, books, magazines, stationery and supplies, small items of clothing, grooming needs, fees for clubs or school, recreation (hobbies, dates, sports), snacks and other personal needs. The totals may seem high in the beginning and adjustments may be in order, but reduced allowances will be accepted more willingly if each person has helped in the planning.

Be sure that everyone understands exactly what his/her allowance is to cover and when it is to be paid. But do not expect an accounting of how it is spent. An allowance is a personal "shock absorber," giving each member the privilege and responsibility of handling personal money. This will help develop confidence and resourcefulness in managing financial affairs. When children are involved, parents will also avoid the problem of being "nickeled and dimed" to death!*

What Are Your Flexible Expenses?

Flexible expenses vary both in amount and in the planning period in which they are needed. Some of these—food, transportation costs, household supplies, for example—occur each planning period. Other expenses—clothing, medical, dental, prescription drugs, entertainment, etc.—may occur less often or change seasonally. On this page is a list of some common flexible expenses.

*CHILDREN AND MONEY MANAGEMENT, listed on the inside back cover, provides additional information on establishing personal allowances for young people.

FLEXIBLE EXPENSES

Food
- Meals at home
- Meals eaten out

Clothing
- New clothes and accessories
- Laundry
- Dry cleaning
- Repairs and alterations

Household Equipment
- Appliances
- Furniture
- Repairs

Home Improvement
- Maintenance
- Remodeling
- Expansion

Household Supplies
- Cleaning supplies
- Small items for the home
- First-aid supplies

Household Help
- Baby sitter
- Yard care
- Window washing
- House cleaning

Gifts
- Birthdays
- Weddings and anniversaries
- Religious celebrations
- Showers
- Illness
- Graduation

Transportation
- Gasoline
- Repairs and upkeep
- Taxi
- Bus or train

Contributions
- Religious
- Charities
- Service groups
- Professional groups
- Fraternal groups
- Social clubs
- Schools and colleges

Health
(not covered by insurance)
- Medical
- Dental
- Eye care/glasses
- Prescription drugs
- Medications

Personal Care
- Grooming aids
- Barber shop
- Beauty parlor

Entertainment
- Extra food
- Theater tickets
- Sports events

Recreation
- Hobbies
- Vacation
- Sports equipment

Miscellaneous
- Papers
- Magazines
- Stationery, postage
- Tobacco
- Others

Others
- _____
- _____
- _____
- _____
- _____
- _____

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Those flexible expenses that crop up only occasionally and vary greatly in amount—like the unexpected doctor's bill, gifts, clothing for a special occasion, routine car and appliance repairs, extra food for entertaining—can cause real financial headaches. To avoid such problems, try to determine the amounts you are likely to spend yearly in each of these categories. If you divide these totals by your number of planning periods, you will know how much to set aside each period in order to meet these needs when they occur. You might think of them as "revolving funds"—a clothing fund, for example, or an emergency repairs fund. You may draw from them only two or three times a year—if you buy your clothing in spring and fall, for instance—or you may need some of these funds every other month. In either case, the cash will be there when you need it.

Don't forget that it is easy to spend as much as $25 to $30 a week on small things—newspapers, magazines, cigarettes, gadgets for the house, supermarket items that aren't on the shopping list. Be realistic when figuring your flexible expenses. Include everything that might come along and claim your dollars. This way, all necessary items become a part of your spending and saving plan. Plan for these incidentals and then carefully shop for them.

What Are Your Periodic Expenses?

There are some fixed expenses which occur periodically during the year—taxes, insurance premiums, tuition payments, etc. Frequently these are so large that payments cannot be made from a single paycheck. The secret of having sufficient money to meet these expenses when due is to set aside a certain amount each planning period.

To determine how much should be set aside each month, first list on the chart on page 20 all your fixed expenses that occur periodically. Figure the annual amount needed for each expense, then divide the total by the number of planning periods you are using. This will give you the amount you must set aside each period in order to meet the payments as they come due.

If you are a first-time planner, and just beginning to build up a reserve fund for periodic expenses, you may prefer to divide the annual amount needed for each expense by the number of planning periods until payment is due. For example, if you are planning on a monthly basis beginning in January, and have a $144 payment due in April, divide by 4, setting aside $36 in January, February, March and April. In May, however, you need set aside only 1/12 , or $12.00. When the $144 is due the following year, you will have the money on hand to meet that expense.

While this system involves more figuring in the beginning, it enables you to meet large expenses during the current year and build up reserves to meet them during the following one. After the first year, you should be able to average all expenses as described previously.

Your Record of Actual Expenses

A financial plan helps you choose the ways you want to spend your money. It is meaningless, however, unless it also guides and helps you control your spending. It can do this only if you record the amounts you actually spend, for comparison purposes, in the spaces next to your estimated expenditures. This will enable you to evaluate the effectiveness of your financial plan and make sound financial decisions in the future.

Don't go overboard on detail or try to account for every penny spent. You would soon tire of this and probably give up! If you have a checking account (and this is strongly recommended), you may find your checkbook to be your best way of keeping track of spending. If checks are made for cash, keep a list of items that were bought. How do the actual expenditures compare with the estimates? Do they match? If so, you've balanced your spending plan on your first try. Congratulations! Unfortunately, most of us must stop and do some refiguring at this point.

Your Financial Plan

INCOME										
Planning Periods										
Sources Of Income										
TOTAL INCOME										
FIXED EXPENSES										
Planning Periods										
Fixed Expenses	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Savings										
Total Fixed Expenses										

Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual

FLEXIBLE EXPENSES

Planning Periods										
Flexible Expenses	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Total Flexible Expenses										

PERIODIC EXPENSES

Planning Periods											
Periodic Expenses	Yearly Total	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Total Periodic Expenses											

Yearly Total ÷ Number Of Planning Periods = Amount To Set Aside Each Planning Period

_____ ÷ _____ = _____

Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual

Balancing Your Plan

Don't be discouraged if your plan didn't work right the first time. First plans seldom do. Reevaluate and decide what happened. Was failure due to poor planning or did the fault lie in failure to follow the plan? Whatever the reasons, make the needed adjustments during the next planning period.

If you overspent your income, perhaps you overlooked certain expenses or bought things you really didn't need. Possibly you could have made better buying choices. You may have overestimated your income or counted on money you didn't receive. Perhaps you underestimated costs. In the future, try to gauge these more accurately.

A spending plan cannot provide an immediate cure for money problems that have been building for a long time, nor can it change the habits of a lifetime. It can only help you to do both! In the following sections are some additional suggestions for bringing outgo in line with income.

Reducing Flexible Expenses

The majority of flexible expenses can be cut down, postponed or cut out on short notice because they do not involve previous commitments and fixed costs. This is fairly easy to do if only *wants*, not needs, are involved: dining out, a new suit or dress, a camera. Where needs are concerned, it may not be as easy, but it's possible, especially when they have previously been met in expensive ways. Are you currently paying for extra help that you or members of your family could provide? Could you find recreational activities that cost less? Could you reduce transportation costs by trading a gas guzzler for a compact car?

Dollars can almost always be saved on clothing by more careful planning and shopping, doing without extra garments, remodeling or altering some of those you already have on hand. If you should have a pressing need for decent shoes or a new winter coat, on the other hand, make every effort to buy them on sale. Could you manage food expenditures more economically? For instance, planning menus in advance, using a shopping list, buying less expensive cuts of meat, buying fruits and vegetables that are in season and taking advantage of "best buys." Of course, for some individuals and families, food costs could be pared by eliminating "junk foods" from the grocery cart. Yet there are many who cut out nonessentials long ago and cannot reduce food costs further without impairing their families' health.*

In short, while it's easier to reduce flexible expenses than fixed ones, it may be hard to reduce them substantially. For this, you must tackle your fixed expenses.

Reducing Fixed Expenses

These reductions will have the greatest impact on your spending, even though they may take some time to effect. Take your mortgage payments or rent, for example. Do you have more house or apartment than you can actually afford? Moving to less costly quarters will free a considerable amount of money, once moving costs have been absorbed.

*Suggestions for reducing food, housing, clothing, home furnishings, equipment, automobile and recreation expenditures are provided in the MMI booklets listed on the inside back cover.

Carefully examine your insurance requirements. It's possible you are overinsured. Of course you want to adequately protect your family, but less costly term insurance is as likely to meet your needs as the more expensive whole life insurance. Perhaps you could even obtain additional coverage where you work at a lower rate.

While your present installment payments are indeed fixed, avoid commitment to an entirely new set. Postpone additional large purchases until your financial plan is in good working order, and stop using any kind of credit. If necessary, put your credit cards in an inaccessible place—like a safe-deposit box, for the time being.

If your car payments are a real financial drain, perhaps you could trade in your present car for a less expensive model or one cheaper to operate and maintain. Are you paying for a second automobile that you don't absolutely need? If you could join a car pool or take public transportation, and thus temporarily give up your car, this would not only save you the payments but operating and insurance costs as well.

Fixed expenses are obviously not fixed forever, except possibly in one's mind. It's just that reducing them often involves changes in lifestyle, and these are hard to make. If you can manage them, however, you'll substantially reduce your expenditures and do yourself a good financial turn!

Other Adjustments You Might Make

Can you change the schedule of payments for some bills? There may be a better way to divide payments or to spread them over the coming months. When estimating your periodic expenses, note what time of the year each payment is due. If several large payments fall within a short period of time, you may be able to arrange a more convenient time for some of them. For instance, if you have an insurance premium and taxes to pay the same month, the insurance company may be willing to reschedule your premium due dates. You may wish to stagger medical and dental checkups of family members or back-to-school clothing for children so that too many expenditures do not occur at once.

Can you take longer to repay debt obligations? Is your credit rating likely to be affected if you take longer to pay? Even though credit costs money, would it be better for you to borrow money to pay some or all debt obligations and repay a single loan in one lower monthly payment over a longer period of time? Try different payment plans until you find the one which best suits your situation. *If you cannot pay your bills on schedule, contact your creditors immediately to see what arrangements can be made.**

*MANAGING YOUR CREDIT, listed on the inside back cover, provides a complete and objective guide to understanding consumer credit and managing credit dollars.

Watch your daily spending. Try to eliminate spending that fails to give satisfaction or bring you closer to your goals. Keep track of it for two or three weeks to find just where leaks exist. Then pay special attention to known trouble spots. Carry only as much money as you need each day. Extra cash in your pocket is often a temptation to spend. Use personal allowances to control spending. If each person has an allowance to cover necessary expenses and a few extras, each will learn to control his or her own spending. Avoid idle shopping. Almost any time you wander through a store you can find something to buy. Use a shopping list and stick to it unless you find an exceptional value.

If your spending plan still does not balance after you have explored every possible way of cutting expenses, you may have to think of ways to increase income to meet demands. This may include working overtime, finding extra part-time work or even learning new skills to increase earning potential. If only one spouse is working, an additional income—even a temporary one—could help considerably. Older children may be able to earn money through part-time jobs (or hobbies) to meet their own expenses. There can be much friendly rivalry between family members in thinking up ways to help put your spending plan into smooth-running order.

Could You Use Some Financial Advice?

Putting problems on paper can help people find ways of working themselves out of financial tangles, but for those who are deeply in debt, stronger measures are required. Excessive indebtedness can occur for a number of reasons:

- employment factors such as strikes, job loss or layoff
- high inflation and/or economic recession (particularly for those on fixed incomes)
- a crisis caused either by illness, death, disability, divorce or desertion
- a disaster such as a fire, flood or tornado
- lack of knowledge, experience and/or good judgement in managing money and credit
- emotional problems
- various combinations of the above

The kinds of services provided for individuals and families in financial straits vary considerably. They will depend upon the types and objectives of the agencies available in your community, the nature and complexity of the problem, and the kinds and amount of help desired. Some form of counseling is always involved, and sometimes it is supplemented by direct financial assistance.

Financial advice is available from financial institutions like credit unions, banks and consumer finance companies, and from welfare organizations, legal aid societies, public and private family service agencies. Consult your local phone directory for a list of agencies or write to the Family Service Association (address on page 31) for information about services in your locality.

There also are nonprofit Consumer Credit Counseling Services in over 250 communities throughout the United States and Canada. These services are designed to help overextended persons and to counsel families on general money matters. Most of these are sponsored by the National Foundation for Consumer Credit (address on page 31), and have the support of local merchants, financial institutions, clergy, educators, service organizations, labor and many other segments of the community.

But a word of caution! Before going to any counseling service, know who sponsors the program...what, if any, charges will be made...and how the plan operates. Most creditors, the Better Business Bureau or the Chamber of Commerce can provide information on reputable ones in your area.

Managing Your Plan Effectively

Remember the first time you bowled or tried to drive a car? Every move seemed clumsy. You didn't catch on as fast as you expected. With practice, experience, and the will to learn, however, you eventually became a "pro"—making the dozens of required moves without much thought.

The same thing can happen in learning to manage your money. It may seem time-consuming and unrewarding at first, but when your plan is really working you will discover that your money is buying more of the things you consider important. You may also discover that you are achieving some important goals and making real financial progress from year to year. To keep your plan running smoothly:

- choose a chief money manager, if pooling your income with another
- organize your money management materials
- develop a record-keeping system
- develop a system for bill paying and handling money
- manage your credit wisely
- adjust to change
- adapt to economic conditions

Develop a quick, simple system for handling the details; there is no need to account for every penny! The more convenient your plan is to use, the easier it will be to stick to it. Rigid, complicated arrangements soon become a burden.

Choosing a Chief Money Manager

In a family it is recommended that all members participate in financial planning, but as a rule it is more efficient for one person to handle the routine chores of money management—doling out small cash outlays, paying bills, keeping records. Generally, it would be the individual with the greater interest, time, ability and/or training for the task. It is a good idea for the other partner to take over occasionally, however. This will not only familiarize him/her with the system, it will provide the manager with some occasional relief. If both partners are working outside the home, they may prefer to divide the management responsibilities equally, with one handling details for only a month, two months or half a year at a time. Some couples divide the bills into areas of responsibility. Just make sure you communicate so they all get paid!

Organizing Your Materials

Set up a money management center for this purpose—in a desk, drawer, box, filing case or whatever works best for you. Keep all of your tools and supplies together in that one place. You may wish to buy an inexpensive filing folder or make one of your own with separate sections or envelopes for systematic filing of important materials that should be kept close at hand:

- your financial plan and past spending records
- bills and receipts
- checkbook, bank statements, canceled checks

- charge slips, charge account and bank card statements, credit card numbers, renewal dates and phone numbers to call in case of theft or loss
- savings account book
- employment records: itemized stubs from paychecks, Social Security records

Record Keeping

There are a number of records which, although not needed on a weekly or monthly basis, are very important. You and other family members should know where they are located and be able to retrieve them on short notice. Most of these can be filed at home; others belong in a safe-deposit box at your bank or, alternatively, in a fireproof box at home.

Home Records

These should be kept in one of two places: in an active file (a drawer or storage box that will hold manila folders) or in dead storage (a chest or box in your attic or storeroom). Your active files would probably contain items like the following, although you may wish to categorize them somewhat differently.

- **Canceled checks and bank statements** for the past three years.
- **Miscellaneous proofs of purchase** like paid bill receipts.
- **Past net worth statements.**
- **Medical records,** including children's immunization records, receipts and canceled checks for medical and dental bills, and prescription numbers.
- **Home management materials,** including warranties, service contracts and operating instructions; a current inventory of household items, including cost and date of purchase, model numbers and photographs of household items. This inventory can be used for insurance claims of damage or loss, and by keeping it up to date, you will be more likely to have adequate insurance coverage.
- **Housing records,** including a copy of your mortgage, if possible; canceled checks showing purchase costs and/or selling costs; information related to home improvements such as canceled checks, receipts, contracts. In the U.S., the latter information will determine how much capital gains tax, if any, you will have to pay when you sell your house.
- **Insurance information,** including copies or originals of all policies: life, medical, automobile, homeowners and personal property insurance; plus names, phone numbers and addresses of agents.
- **Credit information,** including copies of all loan agreements, promissory notes, statements and receipts from each account.
- **Tax records,** including local, state or provincial, and federal income tax, and all personal property taxes should be kept handy for at least three years. People who have itemized their deductions should place all documenting materials here, including records of the interest paid on mortgage loans and others, deductible business and professional expenses, records of capital gains and losses, casualty loss records, contributions, and bills of sale for large-ticket items like a car. Medical expenses, once deducted, should also be kept here. After three years, this information should be refiled in dead storage for at least three more years because you can be audited up to six years. After this time your records cannot be subpoenaed unless fraud is involved.
- **Investment transaction records,** including stock certificates and broker's confirmations of purchases and sales. All records should be kept for tax purposes.
- **Wills and estate-planning records,** including an unsigned copy of the will and a note giving the location of the original; instructions regarding final services and the location of the burial plot. Also include your lawyer's and executor's names and addresses.
- **Education records.**
- **Personal records** kept here should include a list of important dates and numbers for reference use only. The originals belong in your safe-deposit box.
- **Safe-deposit box folder** should include a list of all the items you have stored in it, and note the location of its key.

In your *dead storage file,* keep those old records you may never need but should have on hand just in case. They might include superseded legal papers, tax information and canceled checks that date back at least seven years.

WHAT I OWE					
Creditor	Total Amount Owed	Monthly Payment	Due Date of Payments	Total Number of Payments	Date of Final Payment
	$	$			

Safe-deposit Box

This is the place to keep irreplaceable or difficult-to-replace items, as well as small valuables. A couple might consider renting two of them—in the event of death or legal difficulties, the contents of one box could be tied up for some time by the courts. You should store the following in your box:

- leases
- stocks and bond certificates, certificates of deposit or other bank savings certificates
- list of insurance policies, their numbers and companies
- automobile title and any other titles
- property records, titles and deeds, including mortgage
- important receipts and major bills of sale
- legal papers, contracts
- a copy of the inventory of household goods that you keep in your active files, including photos of all furnishings, particularly one-of-a-kind or hard-to-replace items
- personal papers, including birth, marriage and death certificates, divorce decrees, adoption papers, passports, citizenship papers, military service records

Bill Paying

Paying your bills promptly shows that you handle money responsibly. This will reflect favorably on you should you ever need to borrow money or use credit. Because lenders consider your past payment record when determining credit worthiness, it is important to keep track of how much you owe, to whom and the date the bills are due.

Using the chart, list your creditors and the amounts you owe on any installment purchases, personal loans and credit card balances. You probably have already allocated a portion of your future income for payment of monthly bills. Keeping accurate records of your payments will also help you determine if you can safely assume more debt and how any additional expenses would fit into your overall financial plan.

Handling the Money

Many people have found they can best control expenditures by setting up checking and savings accounts. Their paychecks immediately go into the checking account, minus the small amount of money required for weekly cash outlays. The amount earmarked for emergency funds and special goals is immediately deposited into the savings account. Whatever you decide to do, it would be wise to have definite procedures established for keeping money until it is needed.

Checking Accounts

A checking account is a safe and convenient way to keep money for your larger, frequently incurred expenses. It can save you time, money and energy, not only in bill paying but in bookkeeping and record keeping as well. Canceled checks, for example, not only tell you how you spent your money but also serve as legal receipts. This can be highly useful when you need to provide proof of purchase in case of a billing error, to make a return, or for insurance or tax purposes. Just be certain you do not overdraw your account.

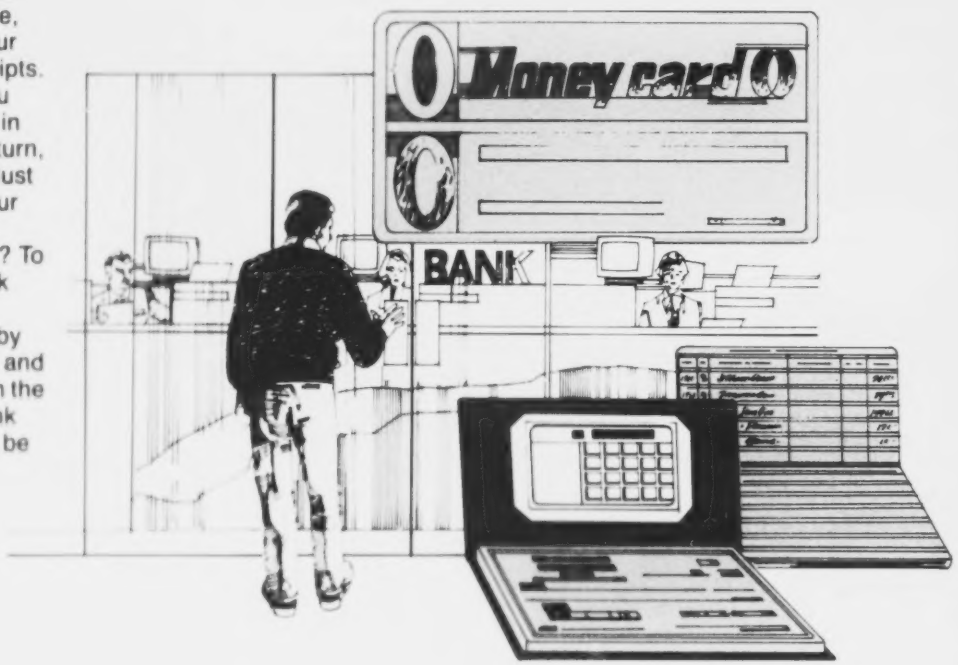
Balance your checkbook. Why? To determine whether your checkbook balance agrees with the bank's balance. Some people are put off by this task, but it only takes practice and a little time. Follow the directions on the back of the statement or ask a bank employee to explain how it should be done.

Shop for your checking account. Service charges vary from bank to bank and even among accounts at the same bank. The costs depend upon the number of checks written, the size of the balance and amount kept in savings, for example. Those considering a NOW or interest-bearing checking account should determine the interest rate paid, how it is computed, any minimum-balance requirement and service charges.

Do not keep more money than you need in an interest-free checking account. Enough to cover expenses for a month would be sufficient. Any "extra" money might as well be earning interest elsewhere.

Take some precautions. Some care should be exercised in the writing and handling of checks. For example, never sign a check until it has been filled out legibly, completely, and in a way that would be difficult to alter. A blank check with a signature could very easily be filled in and then cashed by an unauthorized person.

Watch your checkbook as carefully as you watch your credit cards. If you should lose it, notify your banker immediately and if possible, provide the check numbers of the series which were lost. The bank will promptly stop payment on them.



Savings Accounts

There are numerous methods of saving money besides the various plans offered by financial institutions—banks, savings and loan associations, credit unions and finance/thrift companies. In this section, however, discussion will be limited to the above, because they are probably the easiest, safest, most convenient way of putting money aside for emergencies and special goals.

There are several different kinds of savings accounts.* Most financial institutions have brochures available that carefully explain the various advantages and requirements of each. It is recommended that you study and compare the plans carefully before deciding where to place your money.

Emergency funds and savings for intermediate-range goals are generally best kept in an account where you can make deposits and withdrawals at any time and in any amount. Sometimes you can arrange to have money automatically transferred from your checking to your savings or share account after each payday. This is one of the most successful of all approaches to saving, because what people don't see, they generally don't spend. Automatic payroll deductions will allow you to purchase savings bonds or to make deposits into a credit union or company savings and investment program. The latter are especially beneficial when your employer also contributes. A word of caution: keep records of all automatic transfers, so you will be fully aware of your cash situation, and can catch any errors that might occur.

*These are described in the MMI booklet, YOUR SAVINGS AND INVESTMENT DOLLAR, listed on the inside back cover.

A relatively painless way of saving is to continue to make those monthly installment payments after your account is paid in full—pay them to yourself in the form of savings! If you do the same thing with any other extra income like a bonus or tax rebate, your savings will grow with a minimum of sacrifice on your part. If you are putting money aside for long-range goals such as a retirement fund or the down payment on a house, you would do well to investigate ways of saving and investing that offer a higher rate of return. (Once you have accumulated a "starter fund" through regular savings, that is.)

Wise Management of Credit

While using credit wisely may help you reach your financial goals, using it unwisely is almost sure to set you back. (Perhaps your major goal is to reduce the amount of credit you are currently using or have outstanding!) It is absolutely vital that any credit purchases you wish to make are carefully provided for ahead of time in your financial plan, because whenever you use credit, you commit some of your future income. For more detailed information and guidance on using this important resource, see the Money Management Institute booklet, MANAGING YOUR CREDIT, listed on the inside back cover.

Adjusting to Change

Because life seems to have all kinds of changes in store for us, financial decisions should be reviewed, evaluated and revised periodically. To know what one's situation will be in the next six months is difficult enough, much less in the next two or three years.

Changes in your financial plan are often needed as your income changes... unexpected responsibilities arise... when you move or your employment changes... as some financial problems are solved or new ones arise... as goals are reached or revised. You might keep in mind also that the estimated costs of long-range goals need to be revised from time to time, because of inflation or deflation and other conditions that affect prices and interest rates.

Dealing with Economic Changes

There is no sure-fire way to completely protect yourself against changes in the economy, but an effective financial plan can certainly help. It is also in your best interest to be aware of current and projected economic trends, since these definitely affect how individuals spend, save and invest. Other recommendations for dealing with a changing economy follow.

Be conservative when estimating your expenses for the next planning period. Plan to spend only what you spent in the preceding period, even though your earnings may rise.

Keep the purchasing power of your emergency fund up to date by periodically adding to it the amount that inflation takes away. For example, if your fund totals $1,000 and the current inflation rate is 5%, it would decrease in value by approximately $50 each year. Of course, any interest you earn would cut this loss, but you would still need to add to your account to make up the difference in purchasing power.

Reduce your cash holdings that earn little interest to the minimum you require—not only in your checking account but in your emergency fund. Many people have difficulty keeping even the bare minimum of an emergency fund on hand, but if you are one of those with additional money to put aside, divert it to investments that offer a greater return.

Home ownership has been a good hedge against inflation, because housing values have until recently increased much faster than the inflation rate. Although property taxes are increasing, in the U.S. they are tax-deductible, as is the interest paid on first and second mortgages. (There are restrictions on the latter.)

Adjust your life insurance and home insurance policies periodically to compensate for increasing costs. Some insurance companies now offer cost-of-living benefit agreements, by which you are charged an annual fee to have the policy increased to take account of inflation.

Consider an annuity plan that automatically adjusts to inflation when planning for retirement.

Conclusion

Life never runs exactly according to plan. There will be many things to upset your program for spending and saving. However, as the years roll along, experience will prove that money management is the surest way to get the things you need and want most. You will learn to make wise choices, to use good judgment and skill in shopping, to adjust your spending to meet new situations. You will also find that confidence and resourcefulness will come to your aid each time the high cost of living threatens your dollars.

The guidance and information provided in this booklet are basic. If they enable you to set up a plan and work effectively within it, you have made an excellent start on the money management that is indispensable throughout life. Of course, a complete financial plan makes provisions for financial security in the event of prolonged illness, disability or death, as well as for adequate retirement income. Readers who desire additional instruction in these areas may turn to the MMI booklet, YOUR SAVINGS AND INVESTMENT DOLLAR, listed on the inside back cover, or to the suggested resources on page 31.

Remember that money is only a means to an end—it is a tool for obtaining the goods and services you need and want. If you use your money intelligently—you, your family and your community will benefit. With a spending and saving plan based on your values and goals, tailored to your needs and wants, you will soon find the most exciting and satisfying business in the world is your own business—the business of making decisions about the use of your money to achieve your goals in life.

Suggested Resources

Organizations

Many trade associations, businesses and government agencies provide information on various aspects of financial planning upon written request. Some of these are listed below.

United States

AFL-CIO
Community Services Department
815 Sixteenth Street, N.W.
Washington, D.C. 20006

American Bankers Association
Personal Economics Program (PEP)
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

American Financial Services Association
1101 14th Street, N.W.
Washington, D.C. 20005

Bank of America
P.O. Box 37000
Rincon Annex
San Francisco, CA 94137

Consumer Information Center
Pueblo, CO 81009

Credit Union National Association, Inc.
Attn: Public Relations
P.O. Box 431
Madison, WI 53701

The Family Service Association of America
44 East 23rd Street
New York, NY 10010

Household Financial Services
Money Management Institute
2700 Sanders Road
Prospect Heights, IL 60070

National Foundation for Consumer Credit, Inc.
8701 Georgia Avenue, Suite 507
Silver Spring, MD 20910

United States League of Savings Institutions
Public Relations and Public Affairs Department
111 East Wacker Drive
Chicago, IL 60601

Canada

Association of Canadian Financial Corporations
115 Danforth Avenue
Suite 302
Toronto, Ontario M4K 1N2

The Canadian Bankers' Association
Suite 600, The Exchange Tower
P.O. Box 348, Two First Canadian Place
Toronto, Ontario M5X 1E1

Household Financial Services of Canada
Money Management Institute
85 Bloor Street East
Toronto, Ontario M4W 1B4

The Royal Bank of Canada
Consumer Affairs Department
P.O. Box 6001
Montreal, Quebec H3C 3A9

Books, Pamphlets and Periodicals

This booklet was designed to be a primer in personal financial planning. Numerous other fine publications cover the various aspects of this subject in far greater depth. Listed below are just a few of the many excellent materials available on money management.

A Guide to Budgeting for the Young Couple. Stock #001-000-04262-9. U.S. Department of Agriculture. Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. $1 per copy.

Changing Times. The Kiplinger Washington Editors, Inc., Editors Park, MD 20782. Monthly.

Consumer Reports. Consumers Union of the United States, Inc., Office of Public Information, 256 Washington Street, Mount Vernon, NY 10550. Monthly.

Current Consumer & Lifestudies
General Learning Corporation
60 Revere Drive, Northbrook, IL 60062.
Monthly. For sample copy, call 800-432-2700.

Debt Counselling. AFL-CIO, address opposite. Single copy 5¢.

Everyone's Money Book.
Quinn, Jane Bryant.

Marshall Loeb's Money Guide.
Loeb, Marshall. Little, Brown, & Co., 200 West Street, Waltham, MA 02254. $12.95.

Money
P.O. Box 14429
Boulder, CO 80322
Monthly.

Money Dynamics for the New Economy. Van Caspel, Venita. Simon & Schuster, Mail Order Billing, 200 Old Tappan Road, Old Tappan, NJ 07675. $22.95.

Personal Finance and Money Management. Rosefsky, Robert. John Wiley & Sons, Inc., 1 Wiley Drive, Somerset, NJ 08873. $26.95.

Sylvia Porter's New Money Book for the 80's. Porter, Sylvia. Avon Books, Mail Order Department, Box 767, Dresden, TN 38225. $10.95. ($1.00 postage and handling)

Sylvia Porter's Personal Finance Magazine. Box 1928, Marion, OH 43305. Bimonthly.

Acknowledgment

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SARAH L. MANNING, *Former Professor, Consumer Studies and Home Economics, State University College at Buffalo,* Buffalo, New York.

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MARY WINTER, *Professor, Department of Family Environment, College of Home Economics, Iowa State University,* Ames, Iowa.

You and Consumer Education

One of life's important concerns is the management of personal economic affairs to obtain the greatest satisfaction from the level of one's income. Essential to the development of economic competence is the ability to plan, organize, control and evaluate the use of resources to achieve goals—whether they relate to choosing a job, earning, spending, saving, borrowing, investing or making decisions for the future.

As individual consumers, teachers or leaders of consumers, we have the challenge to understand, communicate and apply basic principles of economics to everyday financial concerns. This will strengthen individual and family living and contribute to the development of more educated, competent citizens in our economy.

Money Management Institute **Consumer Education Materials**

Since 1930, MMI booklets and filmstrips have served individuals, families and groups with help on effective use of income. The recognition given these materials is due to their objective approach; well-organized, accurate and up-to-date information; freedom from advertising; and the cooperation of recognized authorities in preparation.

Money Management BOOKLETS
MMI booklets cover all important areas of personal and family finance. They are available individually or as a library of 12 booklets.

YOUR FINANCIAL PLAN presents a personalized easy-to-use plan for managing income. Each $1.00

MANAGING YOUR CREDIT presents a comprehensive and objective guide to understanding consumer credit and managing credit dollars. Each $1.00

CHILDREN AND MONEY MANAGEMENT is for parents and teachers who wish to instruct children in this important subject. Each $1.00

YOUR FOOD DOLLAR offers information on developing a shopping list, deciding where to shop, selecting the best buys and reading food labels. Each $1.00

YOUR CLOTHING DOLLAR gives wardrobe-planning, buying and care information. Each $1.00

YOUR HOUSING DOLLAR shows how to determine housing needs and meet housing costs whether you rent, buy or build. Each $1.00

HOME FURNISHINGS AND EQUIPMENT offers shopping information on buying major appliances, home furnishings, telephones and home electronics equipment. Each . . $1.00

YOUR SHOPPING DOLLAR explains how to plan spending, develop shopping skills and handle consumer problems effectively. Each $1.00

YOUR AUTOMOBILE DOLLAR discusses buying, maintaining and operating a car. Each $1.00

YOUR RECREATION DOLLAR suggests ways to plan recreation expenses for special activities, equipment and vacation travel. Each $1.00

YOUR SAVINGS AND INVESTMENT DOLLAR offers guidance on building financial security, choosing financial products and services and selecting investments for growth and income. Each $1.00

YOUR INSURANCE DOLLAR introduces the four basic types of insurance—health, life, auto and homeowners—and offers guidelines for buying policies to meet present and future needs. Each $1.00

Money Management BOOKLET LIBRARY includes all 12 booklets in an attractive library box. Series $10.00

YOUR GUIDE FOR TEACHING MONEY MANAGEMENT presents concepts, learning experiences and resources for teaching personal economics to students of different ages and abilities. Can be used to teach a single unit or complete course. Each $1.00

MIND YOUR MONEY LEAFLETS—When You Shop. When You Spend. When You Use Credit—are designed for use with groups of limited income and/or reading ability. They provide a basis for learning effective money management. Per set . . . . . 75¢

Money Management FILMSTRIPS
MMI filmstrips are vivid art presentations of real-life situations illustrating good financial management. Each 35mm, color filmstrip comes with cassette, script text, and teacher's guide. The filmstrips can be used as individual teaching aids or to supplement MMI booklets.

GO FOR THE GOLD introduces first-time investors to different financial products and services as well as investments for growth and income. 99 frames. Includes spirit masters. Each $7.50
Additional set of spirit masters . . . . . 50¢

WINNING THE MONEY GAME explains how to effectively manage income by setting goals, making choices and developing a financial plan based on personal values and individual needs. 88 frames. Includes spirit masters. Each $7.50
Additional set of spirit masters . . . . . 50¢

CREDIT—HANDLE WITH CARE explains how to establish credit, why credit costs vary and the kinds of questions asked on credit applications. 89 frames. Includes spirit masters. Each $7.50
Additional spirit masters . . . . . 50¢

FOOD DOLLARS AND SENSE provides the guidance and information needed to make the most of food dollars. 82 frames. Includes spirit masters. Each $7.50
Additional spirit masters . . . . . 50¢

WHEELS, DEALS AND YOU discusses planning a car purchase, buying new and used cars, and financing, insuring and maintaining the investment. 84 frames. Includes spirit masters. Each $7.50
Additional spirit masters . . . . . 50¢

Money Management FILMSTRIP LIBRARY includes a boxed set of three personal finance filmstrips: WINNING THE MONEY GAME, CREDIT—HANDLE WITH CARE and GO FOR THE GOLD, with accompanying materials. Set $20.00

QUANTITY DISCOUNTS—Less 10% on orders from $25 to $100; 20% on orders over $100. MMI materials are not returnable.

To order or to inquire about any of the above materials, write to:

Money Management Institute

HOUSEHOLD FINANCIAL SERVICES
2700 Sanders Road, Prospect Heights, IL 60070

HOUSEHOLD FINANCIAL SERVICES OF CANADA
85 Bloor Street East, Toronto, Ontario M4W 1B4

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2700 Sanders Road
Prospect Heights, Illinois 60070

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